

LEGISLATURE OF NEBRASKA

ONE HUNDRED FIRST LEGISLATURE

FIRST SESSION

LEGISLATIVE BILL 187

FINAL READING

Introduced by Nebraska Retirement Systems Committee: Pankonin, 2,
Chairperson; Heidemann, 1; Karpisek, 32; Louden, 49;
Mello, 5; Nordquist, 7.

Read first time January 12, 2009

Committee: Nebraska Retirement Systems

A BILL

1 FOR AN ACT relating to school employees retirement; to amend
2 sections 79-958, 79-966, and 79-9,113, Reissue Revised
3 Statutes of Nebraska; to change contribution rates for
4 required deposits by employees and employers; to provide
5 an operative date; to repeal the original sections; and
6 to declare an emergency.
7 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 79-958, Reissue Revised Statutes of
2 Nebraska, is amended to read:

3 79-958 (1) Beginning on September 1, 2006, and ending
4 August 31, 2007, for the purpose of providing the funds to pay
5 for formula annuities, every employee shall be required to deposit
6 in the School Retirement Fund seven and eighty-three hundredths
7 percent of compensation. Beginning on September 1, 2007, and ending
8 August 31, 2009, for the purpose of providing the funds to pay
9 for formula annuities, every employee shall be required to deposit
10 in the School Retirement Fund seven and twenty-eight hundredths
11 percent of compensation. Beginning on September 1, 2009, and ending
12 August 31, 2014, for the purpose of providing the funds to pay
13 for formula annuities, every employee shall be required to deposit
14 in the School Retirement Fund eight and twenty-eight hundredths
15 percent of compensation. Beginning on September 1, 2014, for the
16 purpose of providing the funds to pay for formula annuities, every
17 employee shall be required to deposit in the School Retirement Fund
18 seven and twenty-eight hundredths percent of compensation. Such
19 deposits shall be transmitted at the same time and in the same
20 manner as required employer contributions.

21 (2) For the purpose of providing the funds to pay for
22 formula annuities, every employer shall be required to deposit
23 in the School Retirement Fund one hundred one percent of the
24 required contributions of the school employees of each employer.
25 Such deposits shall be transmitted to the retirement board at

1 the same time and in the same manner as such required employee
2 contributions.

3 (3) The employer shall pick up the member contributions
4 required by this section for all compensation paid on or after
5 January 1, 1986, and the contributions so picked up shall
6 be treated as employer contributions in determining federal tax
7 treatment under the Internal Revenue Code as defined in section
8 49-801.01, except that the employer shall continue to withhold
9 federal income taxes based upon these contributions until the
10 Internal Revenue Service or the federal courts rule that, pursuant
11 to section 414(h) of the code, these contributions shall not be
12 included as gross income of the member until such time as they
13 are distributed or made available. The employer shall pay these
14 member contributions from the same source of funds which is used
15 in paying earnings to the member. The employer shall pick up these
16 contributions by a compensation deduction through a reduction in
17 the cash compensation of the member. Member contributions picked
18 up shall be treated for all purposes of the School Employees
19 Retirement Act in the same manner and to the same extent as member
20 contributions made prior to the date picked up.

21 (4) The employer shall pick up the member contributions
22 made through irrevocable payroll deduction authorizations pursuant
23 to sections 79-921, 79-933.03 to 79-933.06, and 79-933.08, and
24 the contributions so picked up shall be treated as employer
25 contributions in the same manner as contributions picked up under

1 subsection (3) of this section.

2 Sec. 2. Section 79-966, Reissue Revised Statutes of
3 Nebraska, is amended to read:

4 79-966 (1) On the basis of all data in the possession
5 of the retirement board, including such mortality and other tables
6 as are recommended by the actuary engaged by the retirement board
7 and adopted by the retirement board, the retirement board shall
8 annually, on or before July 1, determine the state deposit to be
9 made by the state in the School Retirement Fund for that fiscal
10 year. The amount of such state deposit shall be determined pursuant
11 to section 79-966.01. The retirement board shall thereupon certify
12 the amount of such state deposit, and on the warrant of the
13 Director of Administrative Services, the State Treasurer shall, as
14 of July 1 of such year, transfer from funds appropriated by the
15 state for that purpose to the School Retirement Fund the amount of
16 such state deposit.

17 (2) In addition to the state deposits required by
18 subsections (1) and (3) of this section, the state shall deposit
19 in the School Retirement Fund an amount equal to seven-tenths of
20 one percent of the compensation of all members of the retirement
21 system for each fiscal year on or after July 1, 1984, until July
22 1, 2009. For each fiscal year beginning July 1, 2009, until July
23 1, 2014, in addition to the state deposits required by subsections
24 (1) and (3) of this section, the state shall deposit in the School
25 Retirement Fund an amount equal to one percent of the compensation

1 of all members of the retirement system. For each fiscal year
2 beginning July 1, 2014, in addition to the state deposits required
3 by subsections (1) and (3) of this section, the state shall deposit
4 in the School Retirement Fund an amount equal to seven-tenths of
5 one percent of the compensation of all members of the retirement
6 system.

7 (3) In addition to the state deposits required by
8 subsections (1) and (2) of this section, beginning on July 1,
9 2005, and each fiscal year thereafter, the state shall deposit
10 in the Service Annuity Fund such amounts as may be necessary to
11 pay the normal cost and amortize the unfunded actuarial accrued
12 liability of the service annuity benefit established pursuant to
13 sections 79-933 and 79-952 as accrued through the end of the
14 previous fiscal year of the school employees who are members of
15 the retirement system established pursuant to the Class V School
16 Employees Retirement Act.

17 Sec. 3. Section 79-9,113, Reissue Revised Statutes of
18 Nebraska, is amended to read:

19 79-9,113 ~~(1)~~ (1)(a) If, at any future time, a majority of
20 the eligible members of the retirement system votes to be included
21 under an agreement providing old age and survivors insurance under
22 the Social Security Act of the United States, the contributions
23 to be made by the member and the school district for membership
24 service, from and after the effective date of the agreement with
25 respect to services performed subsequent to December 31, 1954,

1 shall each be reduced from five to three percent but not less than
2 three percent of the member's salary per annum, and the credits
3 for membership service under this system, as provided in section
4 79-999, shall thereafter be reduced from one and one-half percent
5 to nine-tenths of one percent and not less than nine-tenths of
6 one percent of salary or wage earned by the member during each
7 fiscal year, and from one and sixty-five hundredths percent to one
8 percent and not less than one percent of salary or wage earned
9 by the member during each fiscal year and from two percent to
10 one and two-tenths percent of salary or wage earned by the member
11 during each fiscal year, and from two and four-tenths percent to
12 one and forty-four hundredths percent of salary or wage earned by
13 the member during each fiscal year, except that after September
14 1, 1963, and prior to September 1, 1969, all employees of the
15 school district shall contribute an amount equal to the membership
16 contribution which shall be two and three-fourths percent of salary
17 covered by old age and survivors insurance, and five percent above
18 that amount. Commencing September 1, 1969, all employees of the
19 school district shall contribute an amount equal to the membership
20 contribution which shall be two and three-fourths percent of the
21 first seven thousand eight hundred dollars of salary or wages
22 earned each fiscal year and five percent of salary or wages earned
23 above that amount in the same fiscal year. Commencing September
24 1, 1976, all employees of the school district shall contribute
25 an amount equal to the membership contribution which shall be two

1 and nine-tenths percent of the first seven thousand eight hundred
2 dollars of salary or wages earned each fiscal year and five and
3 twenty-five hundredths percent of salary or wages earned above
4 that amount in the same fiscal year. Commencing on September 1,
5 1982, all employees of the school district shall contribute an
6 amount equal to the membership contribution which shall be four and
7 nine-tenths percent of the compensation earned in each fiscal year.
8 Commencing September 1, 1989, all employees of the school district
9 shall contribute an amount equal to the membership contribution
10 which shall be five and eight-tenths percent of the compensation
11 earned in each fiscal year. Commencing September 1, 1995, all
12 employees of the school district shall contribute an amount equal
13 to the membership contribution which shall be six and three-tenths
14 percent of the compensation earned in each fiscal year. Commencing
15 September 1, 2007, all employees of the school district shall
16 contribute an amount equal to the membership contribution which
17 shall be seven and three-tenths percent of the compensation paid
18 in each fiscal year. Commencing September 1, 2009, all employees
19 of the school district shall contribute an amount equal to the
20 membership contribution which shall be eight and three-tenths
21 percent of the compensation paid in each fiscal year.

22 (b) The contributions by the school district in any
23 fiscal year beginning on or after September 1, 1999, shall be the
24 greater of ~~(a)~~ (i) one hundred percent of the contributions by the
25 employees for such fiscal year or ~~(b)~~ (ii) such amount as may be

1 necessary to maintain the solvency of the system, as determined
2 annually by the board upon recommendation of the actuary and the
3 trustees.

4 (c) The contributions by the school district in any
5 fiscal year beginning on or after September 1, 2007, shall be the
6 greater of (i) one hundred and one percent of the contributions
7 by the employees for such fiscal year or (ii) such amount as may
8 be necessary to maintain the solvency of the system, as determined
9 annually by the board upon recommendation of the actuary and the
10 trustees.

11 (d) The employee's contribution shall be made in the
12 form of a monthly deduction from compensation as provided in
13 subsection (2) of this section. Every employee who is a member of
14 the system shall be deemed to consent and agree to such deductions
15 and shall receipt in full for compensation, and payment to such
16 employee of compensation less such deduction shall constitute a
17 full and complete discharge of all claims and demands whatsoever
18 for services rendered by such employee during the period covered
19 by such payment except as to benefits provided under the Class V
20 School Employees Retirement Act.

21 (e) After September 1, 1963, and prior to September 1,
22 1969, all employees shall be credited with a membership service
23 annuity which shall be nine-tenths of one percent of salary or wage
24 covered by old age and survivors insurance and one and one-half
25 percent of salary or wages above that amount, except that those

1 employees who retire on or after August 31, 1969, shall be credited
2 with a membership service annuity which shall be one percent of
3 salary or wages covered by old age and survivors insurance and
4 one and sixty-five hundredths percent of salary or wages above
5 that amount for service performed after September 1, 1963, and
6 prior to September 1, 1969. Commencing September 1, 1969, all
7 employees shall be credited with a membership service annuity which
8 shall be one percent of the first seven thousand eight hundred
9 dollars of salary or wages earned by the employee during each
10 fiscal year and one and sixty-five hundredths percent of salary
11 or wages earned above that amount in the same fiscal year, except
12 that all employees retiring on or after August 31, 1976, shall be
13 credited with a membership service annuity which shall be one and
14 forty-four hundredths percent of the first seven thousand eight
15 hundred dollars of salary or wages earned by the employee during
16 such fiscal year and two and four-tenths percent of salary or wages
17 earned above that amount in the same fiscal year and the retirement
18 annuities of employees who have not retired prior to September 1,
19 1963, and who elected under the provisions of section 79-988 as
20 such section existed immediately prior to February 20, 1982, not
21 to become members of the system shall not be less than they would
22 have been had they remained under any preexisting system to date of
23 retirement.

24 (f) Members of this system having the service
25 qualifications of members of the School Retirement System of the

1 State of Nebraska, as provided by section 79-926, shall receive
2 the state service annuity provided by sections 79-933 to 79-935
3 and 79-951.

4 (2) The school district shall pick up the employee
5 contributions required by this section for all compensation paid
6 on or after January 1, 1985, and the contributions so picked up
7 shall be treated as employer contributions in determining federal
8 tax treatment under the Internal Revenue Code, except that the
9 school district shall continue to withhold federal income taxes
10 based upon these contributions until the Internal Revenue Service
11 or the federal courts rule that, pursuant to section 414(h)
12 of the Internal Revenue Code, these contributions shall not be
13 included as gross income of the employee until such time as
14 they are distributed or made available. The school district shall
15 pay these employee contributions from the same source of funds
16 which is used in paying earnings to the employee. The school
17 district shall pick up these contributions by a salary deduction
18 either through a reduction in the cash salary of the employee
19 or a combination of a reduction in salary and offset against a
20 future salary increase. Beginning September 1, 1995, the school
21 district shall also pick up any contributions required by sections
22 79-990, 79-991, and 79-992 which are made under an irrevocable
23 payroll deduction authorization between the member and the school
24 district, and the contributions so picked up shall be treated as
25 employer contributions in determining federal tax treatment under

1 the Internal Revenue Code, except that the school district shall
2 continue to withhold federal and state income taxes based upon
3 these contributions until the Internal Revenue Service rules that,
4 pursuant to section 414(h) of the Internal Revenue Code, these
5 contributions shall not be included as gross income of the employee
6 until such time as they are distributed from the system. Employee
7 contributions picked up shall be treated for all purposes of the
8 Class V School Employees Retirement Act in the same manner and to
9 the extent as employee contributions made prior to the date picked
10 up.

11 Sec. 4. This act becomes operative on July 1, 2009.

12 Sec. 5. Original sections 79-958, 79-966, and 79-9,113,
13 Reissue Revised Statutes of Nebraska, are repealed.

14 Sec. 6. Since an emergency exists, this act takes effect
15 when passed and approved according to law.